

1927

American companies
spend \$1.5 billion
on advertising

1927

Ford introduces
the Model A

1929

Value of electrical
appliances reaches
\$2.3 billion

1929

Nearly \$2 billion
spent on roads
and bridges

1929

Value of top 200
companies reaches
\$81 billion

1930

Americans own
more than 23
million cars

1927**1928****1929****1930**

2 A Business Boom

SECTION PREVIEW

Objectives

- 1 Describe how the growth of a consumer economy changed American life.
- 2 Explain how Henry Ford made automobiles affordable for average Americans.
- 3 Explain why American businesses boomed in the 1920s.
- 4 **Key Terms** Define: consumer economy; installment plan; assembly line.

Main Idea

During the 1920s, new products and Americans' power to purchase them grew rapidly, producing a decade of enormous business growth.

Reading Strategy

Recognizing Cause and Effect As you read, make a list of factors that caused a business boom in the 1920s.

Forget malls and food courts. Until the 1920s, you couldn't even find a shopping center. Food was not "fast." Billboards did not line the highways because there were no highways, few cars, and relatively few advertisements.

Then came the 1920s, a decade that gave birth to much of modern America. In Kansas City, the nation's first shopping center opened, giving consumers a more convenient way to shop. The first fast-food chain, A & W Root Beer, began selling burgers and soft drinks. Advertising became big business in the 1920s, with companies spending an amazing \$1.5 billion on ads in 1927. And in Michigan, a young man named Ford was building an automobile empire. This was no ordinary decade.

A Consumer Economy

Despite a year or so of uncertainty after World War I, the United States economy made a rapid adjustment. The rise in incomes that had begun during the war had resumed by 1920. Between 1914 and 1926, average wages rose more than 28 percent. The number of millionaires in the United States more than doubled in the same

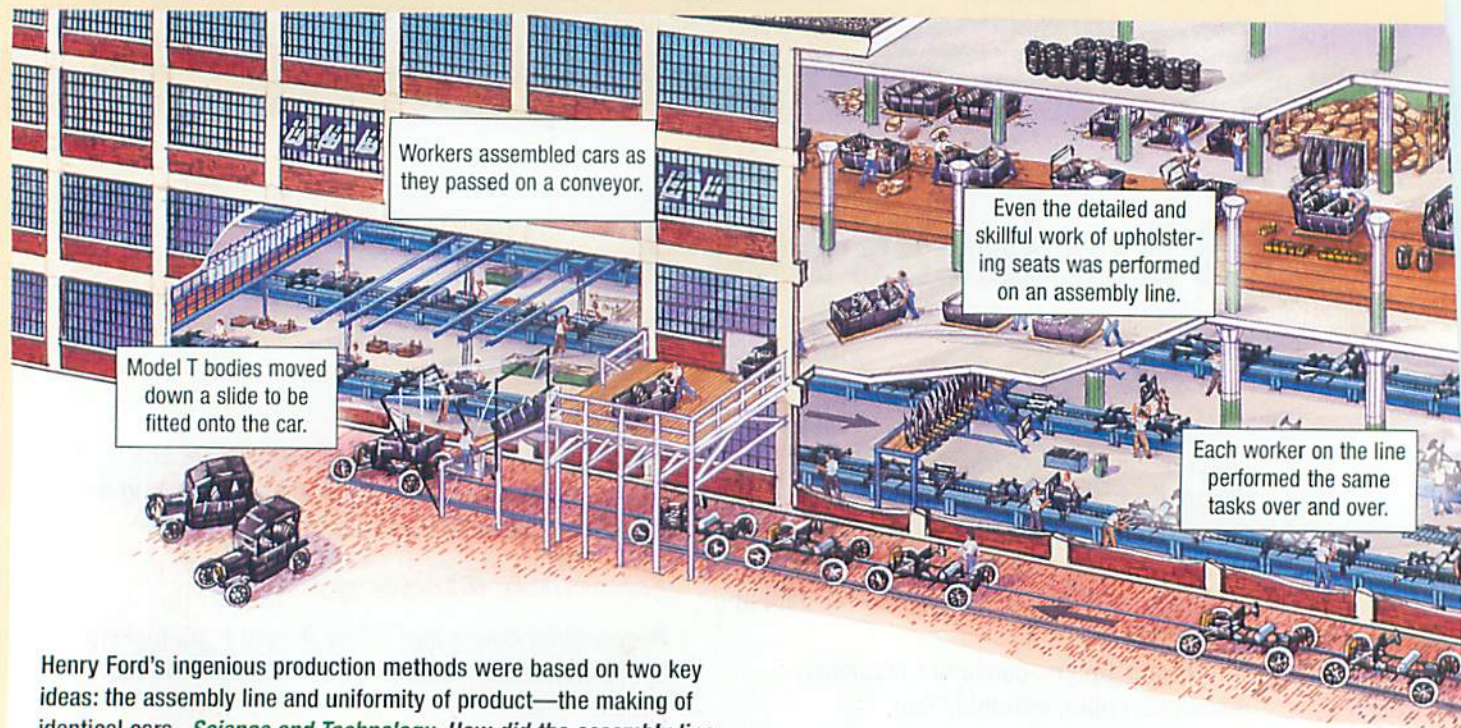
period. The main cause of this growth was the development of the **consumer economy**, one that depends on a large amount of buying by consumers—individuals who use (or "consume") products. During the 1920s, a consumer economy developed rapidly in the United States.

Buying on Credit Until the 1920s, Americans generally paid cash for anything they bought. Borrowing money for any purchase but a house or land was considered unthrifty, even immoral. During the 1920s, the nation eagerly adopted a new way to buy goods. Instead of paying the full price at once, consumers arranged to pay on an **installment plan**, a system that lets customers make partial payments (installments) at set intervals over a period of time until the total debt is paid. Installment plans fueled the growth of the consumer economy.

Installment plans encouraged people to buy who otherwise would not, even though they had to pay interest charges ranging from 11 to 40 percent. By 1929, Americans were using the installment plan to buy 60 percent of all cars, 70 percent of furniture, 80 percent of vacuum



*Electrical
appliances
changed the
nature of
housework.*



Henry Ford's ingenious production methods were based on two key ideas: the assembly line and uniformity of product—the making of identical cars. **Science and Technology** How did the assembly line change the nature of work?

cleaners, radios, and refrigerators, and 90 percent of sewing machines and washing machines.

Electric Power These new power-hungry appliances created a surge in the demand for electricity. Between 1913 and 1927, the number of electric power customers more than quadrupled. The number of people who had electric lights jumped from 16 percent to 63 percent in about the same time.

Though the cities were gaining electric power rapidly, the countryside was not. The cost of running electric lines to scattered farming communities was simply too high. By 1925, for example, only 4 percent of American farms were connected to a power plant. Still, many farm families used wind-powered generators to bring handy new electric products to their remote homes.

The growth of General Electric Company illustrates how the increasing use of electricity went hand in hand with the boom in consumer sales. General Electric was formed in 1892 to take over Thomas Edison's electric light business. During the 1920s, the company

grew dramatically on sales of a variety of household electrical appliances. It also sold electric motors and other products for industry. Between 1919 and 1929, the value of electrical products of this kind more than doubled, from nearly \$1 billion to \$2.3 billion. General Electric rode this wave of consumer buying to become one of the world's largest companies.

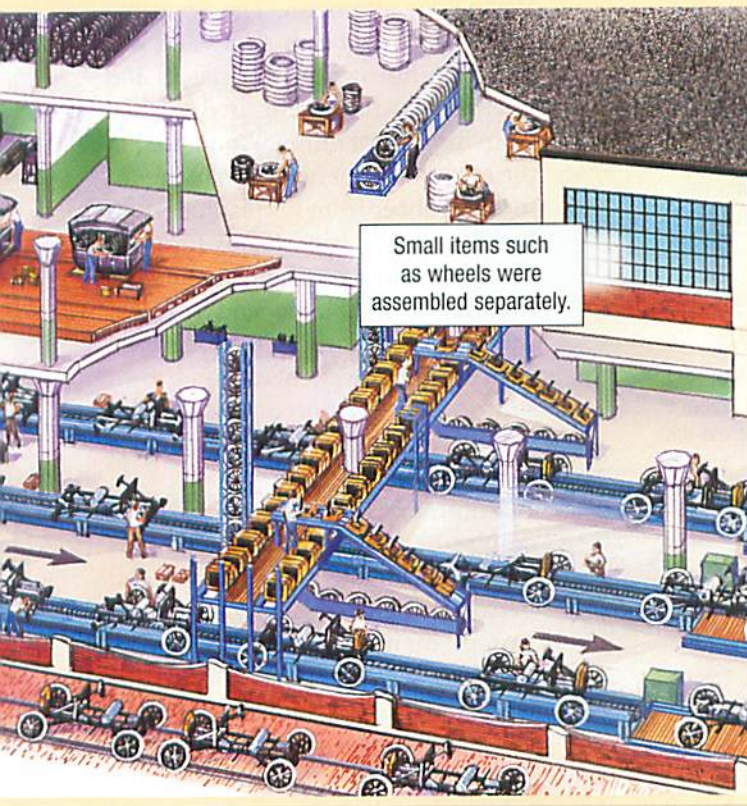
New Products to Buy Among the products General Electric offered were electric toasters, ovens, sewing machines, coffee pots, irons, and vacuum cleaners. Other companies, too, offered a vast array of goods, from telephones to cosmetics. Some of these were updated versions of products that had been around for centuries. Others had never been seen before.

Ford and the Automobile

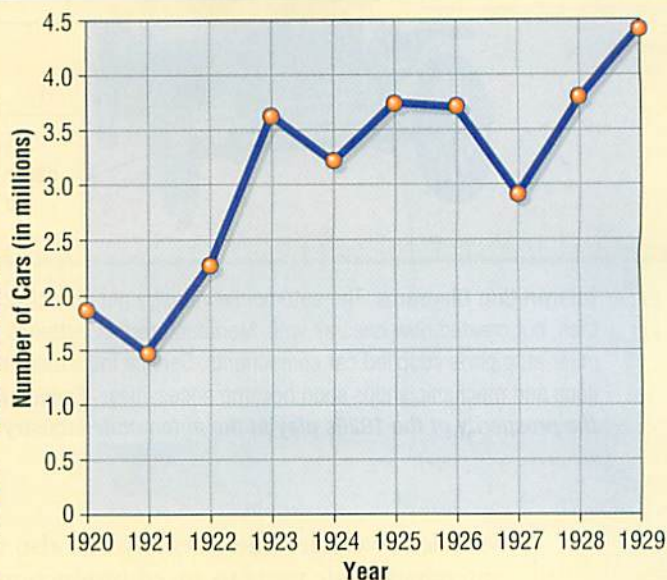
Another product that was invented in the 1890s but became available to the mass market in the 1920s was the automobile. Charles and Frank Duryea of Springfield, Massachusetts, developed a model in 1892, and several other inventors soon followed their lead. Over the

Main Idea CONNECTIONS

What caused the increased demand for electric power in the 1920s?



Passenger Car Sales, 1920–1929



Source: *Historical Statistics of the United States, Colonial Times to 1970*



Interpreting Graphs Use of the assembly line made the growth of the automobile industry possible. *Economics*
What was the overall trend in car sales during the 1920s?

next 28 years, about 8 million cars were put on the road. Yet in the ten years after that, during the 1920s, the number of registered cars rose by over 15 million. Much of this rapid growth was due to the efforts of the legendary businessman Henry Ford.

Ford and the “Model T” Ford was born on a Michigan farm during the Civil War, the son of Irish immigrants. Early in life he showed a skill with machines. In the late 1880s, he worked as an engineer with a lighting company in Detroit. In his spare time he began inventing a “horseless carriage.” In 1896 Ford perfected his first version of the lightweight, gas-powered car, which he called the “quadricycle.” He soon sold it to get the money to build a better one. By 1903, he had started his own automobile company. Only a few years later, in 1907, Ford sold 30,000 of an improved type that he called the Model T.

Ford’s Assembly Line In those days, 30,000 was a huge number of cars. Yet Ford had even bigger dreams. He wanted to “democratize the automobile,” producing even more cars and selling them at prices ordinary people could

afford. This goal was what set him apart from all other car makers and made him one of the most influential people of the century.

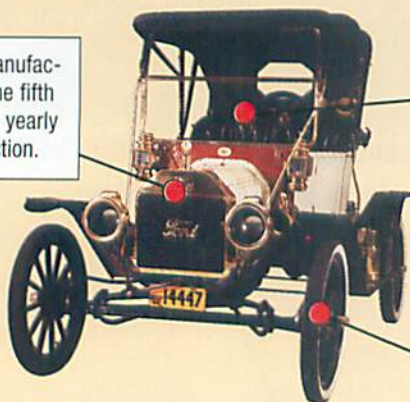
To achieve his goal, he adapted for his factories the revolutionary assembly line, shown in the Exploring Technology feature above. An **assembly line** is a manufacturing process in which each worker does one specialized task in the construction of the final product. In the past, an individual worker might build an entire product, such as a gun. In the automobile business, that process would have been inefficient since each worker would have to master hundreds of tasks. On an assembly line, however, one worker might install windshields on all the cars. Another might mount the tires, or weld a certain part in place, or apply the paint.

Ford did not invent the assembly line, but he made it more efficient: Ford’s assembly line moved while the workers stayed in place, instead of having the workers move from

The Impact of the Automobile

The automobile industry had an enormous impact on related industries during the 1920s. Petroleum producers in particular had a difficult time meeting demand as Americans took to the road.

Automobile manufacture ate up one fifth of the nation's yearly steel production.



Three quarters of all sheet-glass was installed as automobile windows.

Four fifths of the nation's rubber ended up as car tires.



Interpreting Diagrams The automobile industry not only affected related industries, but created new ones as well. Manufacturers of batteries, spark plugs, and other auto parts supplied car components. Service industries such as filling stations and mechanic shops soon became necessities. **Economics** What role did the prosperity of the 1920s play in the automobile industry?

vehicle to vehicle. The assembly line also used interchangeable parts to speed production. At Ford's Highland Park, Michigan, factory, the assembly line spit out a Model T every 24 seconds. Between 1907 and 1926, Ford built half of the automobiles produced in the entire world, some 16,750,000 cars.

By making large numbers of identical automobiles in an identical way, Ford could take advantage of economies of scale. The more automobiles he made, the less each one cost. In 1914, the first year his assembly line was in full swing, his company sold Model T's at \$490 each. This was almost half of what a car had cost in 1910. The following year he actually dropped the price to \$390.

Ford's cars were identical. He joked that his customers could get their Model T's in any color they liked, as long as it was black. However, other car makers realized that the American public wanted different colors and styles of cars. When General Motors

introduced its low-priced Chevrolet in several colors, Ford lost many customers. Not until 1927 did he introduce a choice of colors in a new automobile, the Model A.

Ford's success, however, came partly from vertical consolidation, controlling the businesses that make up phases of a product's develop-

ment. Ford boasted that he could take a load of raw ore on Monday morning and sell it as a car 52 hours later on Wednesday afternoon. The ore came from Ford's own iron mines and was forged in his own blast furnaces and steel mills, which were fired by coal from his 16 coal mines. Wood used in the car came from his 700,000 acres of forests, rubber from his plantations in Brazil, glass for windshields from his own glassworks. He shipped materials over his own railroad and his own fleet of ships. Nearly all the tools used in his factories were made in his own shops. Furthermore, this entire empire was built with his own money.

A Complex Businessman Like the empire he ran, Ford was a complex man. He had both good qualities and personal failings. For example, he won praise in 1914 for introducing a \$5-a-day pay rate for many of his workers. This was double what other factories paid at the time. Yet he was

not always generous. He ruled his company harshly, and used violence to fight unions. Though he showed genius in giving millions of Americans a car they could afford, he stubbornly refused to keep up with their changing tastes. By 1936 the Ford Motor Company had slipped to third place in the car business.

Critics of his system claimed the assembly line was hard on the workers. Ford admitted that work on the assembly line would be boring to him, but insisted that his employees enjoyed it. In his 1922 autobiography he stated:

AMERICAN VOICES

“Probably the most monotonous task in the whole factory is one in which a man picks up a gear with a steel hook, shakes it in a vat of oil, then turns it into a basket. . . . Yet the man on that job has been doing it for eight solid years . . . and he stubbornly resists every attempt to force him into a better job!”

—Henry Ford, *My Life and Work*, 1922

Another of Ford's failings was his contempt for history, which he described as “bunk,” or nonsense. Because he did not understand the past, he could not understand the present. He sailed a rented ocean liner across the Atlantic in 1915 and made a hopeless effort to talk Europe out of fighting World War I. In 1920, he used his

Main Idea CONNECTIONS

How was Ford able to make cars affordable to many Americans?

own newspaper, the *Dearborn Independent*, to blame Jews for the world's problems. However, in 1927, after being sued for slander, he apologized for these attacks and sold the paper.

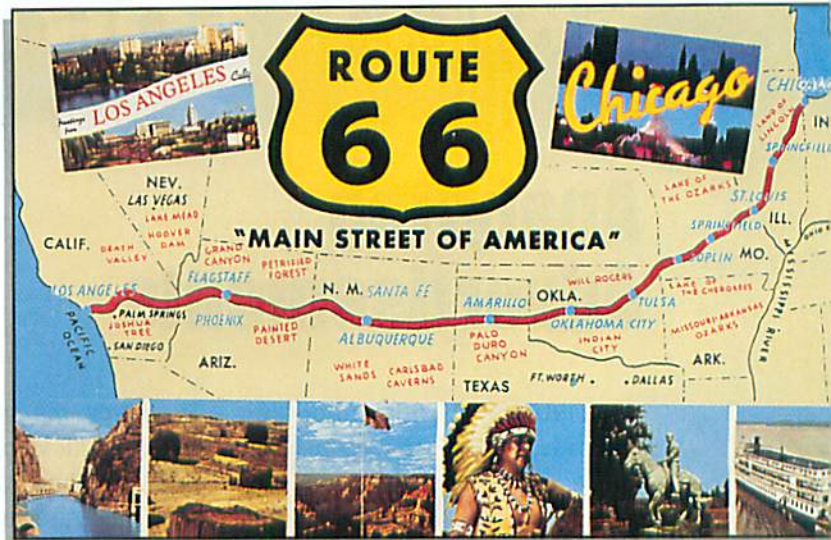
Industrial Growth

Through Ford's genius, automobile making became the nation's biggest single manufacturing industry in the 1920s. By the late twenties, cars were using 15 percent of America's steel, 80 percent of its rubber, half its glass, 65 percent of its leather upholstery, and 7 billion gallons of its gasoline every year.

Thousands of new businesses arose to serve automobile travel, including garages, car dealerships, motels, campgrounds, gas stations, and restaurants. Truck lines began hauling the nation's freight, and motorized buses traveled new routes through both countryside and city. About 3.7 million people were employed directly or indirectly because of the automobile industry by 1929. In that year the nation spent nearly \$2 billion to build and maintain its roads and bridges.

Other industries were growing, too. Under Republican laissez-faire policies, which limited the government's regulation of business, the value of the nation's businesses took off. Between 1919 and 1929 the 200 top American companies nearly doubled their value, which rose from \$43 billion to \$81 billion.

Interestingly, the power of monopolies declined even while American business was getting bigger. Rapid business expansion opened up new opportunities for competitors to the giant monopolies of the 1800s.



The United States Steel Corporation is a good example. In 1901, it controlled about 60 percent of the steel business. By 1930, it had grown enormously. Yet its competitors also grew, and in that year United States Steel controlled only about 39 percent of the steel business.

Likewise, the companies that had once made up the Standard Oil Trust grew with the demand for oil products during the 1920s. Even so, by 1930 they controlled only about half of the nation's oil business.

Besides the automobile, steel, oil, and electrical industries, other businesses that boomed during the 1920s were the publishing, motion picture, and machine-making industries. People seemed eager to prove that the business of the United States truly was business.

Route 66, begun in the mid-1920s, linked urban and rural communities between Chicago and Los Angeles.

SECTION 2 REVIEW

Comprehension

- Key Terms** Define: (a) consumer economy; (b) installment plan; (c) assembly line.
- Summarizing the Main Idea** Write a paragraph summarizing the main reasons for the business boom of the 1920s.
- Organizing Information** Create a cause-and-effect chart on the growth of car production in the 1920s.

Critical Thinking

- Analyzing Time Lines** Refer to the time line at the start of the section. Choose three

entries and explain how they influenced modern American life.

- Recognizing Ideologies** From what you read about Henry Ford, what conclusions can you draw about what he believed in and valued?

Writing Activity

- Writing a Persuasive Essay** Write a newspaper column that might have appeared in the late 1920s. Explain why the government's laissez-faire approach to the economy seems to be working. Support your case with statistics from this section.

Analyzing Advertisements

Advertisements offer important evidence of the consumer goods and services that were promoted during a historical period. Ads often hold clues to widely held ideas, attitudes, and values. However, when using advertisements as historical evidence, keep in mind that ads can reflect what advertisers want people to value and desire, rather than representing the reality for most of the consumers of the time.

By the 1920s, the “what-it-is, what-it-does” type of advertising was giving way to “situational” ads. These ads depicted not only the products but also the ways in which those products might increase personal satisfaction or enhance the lives of typical consumers.

One such ad from the 1920s is shown here. Use the following steps to analyze it.

1. Identify the subject of the ad.

(a) What product or service does it promote? (b) What facts about the product does the ad provide? (c) What issue does this advertisement use to appeal particularly to men? To women?

2. Analyze the advertisement's reliability as historical evidence.

(a) Do you think the people depicted in the ad represent typical consumers of the 1920s? Explain. (b) What is the unstated message that the advertiser is using in this case to persuade people to buy the product?

3. Study the ad to learn more about the historical period.

(a) What social or cultural values are promoted in the advertisement? (b) In general, do you think advertisements reflect consumers' desires for products or create the desire for such products? Explain.

TEST FOR SUCCESS

Think of a modern advertisement you've seen for a specific product such as a car, a food, or a type of running shoe. Use the steps shown here to analyze the ad.

—and he wonders why
she said "NO!"

Could he have read her thoughts he would not have lost her. A picture of neatness herself, she detested slovenliness. And not once, but many times, she had noticed his ungartered socks crumpling down around his shoe tops. To have to apologize to her friends for a husband's careless habits was too much to ask. So she had to say "NO"—and in spite of his pleading couldn't tell him WHY.

No SOX Appeal Without
PARIS GARTERS
NO METAL CAN TOUCH YOU
25c to 82
Dress Well and Succeed

SINGLE GRIP DOUBLE GRIP

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